Weekly Economic Review

Consumer spending drifts higher

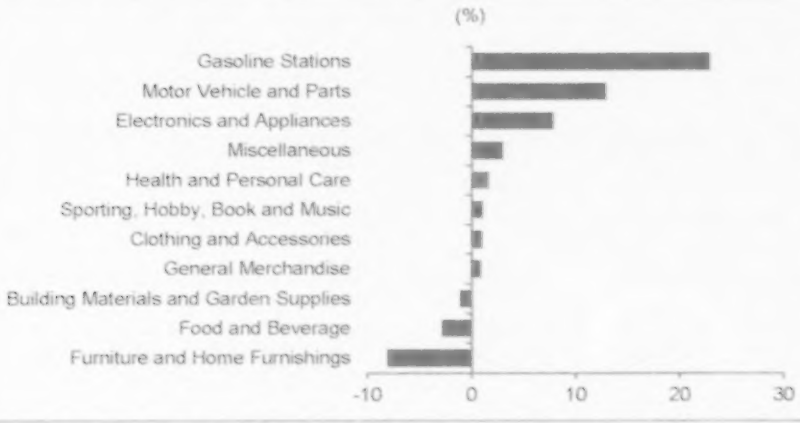
Retail Sales

Retail sales resume growth

After dipping in March, retail sales increased in April to approach the pre-recession peak reached in October 2014. Retail sales rose 0.5% month-over-month (m/m) to $6.7 billion. With the exception of March, retail sales have increased in every month since July 2016. Year-to-date (YTD), sales were up 5.8% due entirely to continued strength in motor vehicle and parts (+12.9%) and gasoline stations (+22.9%). Excluding these two categories, retail sales were modestly lower (-0.5% YTD). While most categories have started to improve, major categories such as food and beverage and furniture and appliances remain weak so far this year (Chart 1). Nationally, retail sales were up 0.8% m/m in April due to increases in nine of the 11 subsectors, led by sales of motor vehicles and parts.

Chart 1: Gasoline station, motor vehicle and parts lead gains

Year-to-date growth in retail sales* by category



Source: Statistics Canada

* Seasonally unadjusted

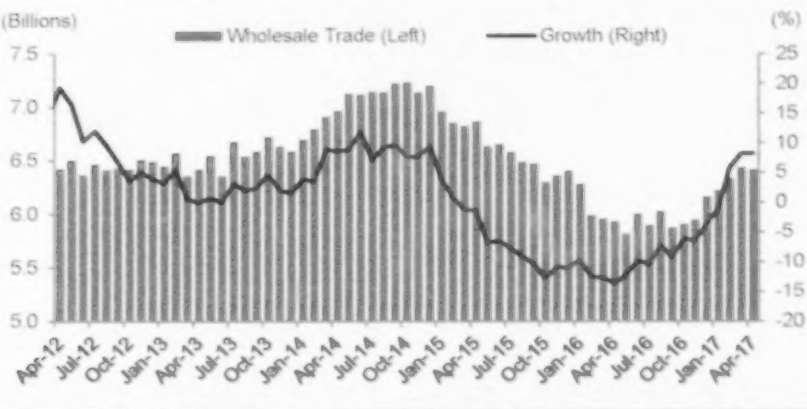
Wholesale Trade

Activity takes a breather

After recovering from the lows reach in mid-2016, wholesale trade held fairly steady in April (Chart 2). Alberta wholesale trade eased 0.3% m/m to $6.4 billion following six consecutive monthly gains. Compared to a year ago, wholesale trade was up 8.2%, driven by higher sales of farm products (+62% y/y), machinery and equipment (+3.7% y/y), and food, beverage, and tobacco (+2.4% y/y). Conversely, personal and household goods (-12.1% y/y) and building materials (-2.1% y/y) remained lower. Nationally, wholesale trade grew by 1.0% m/m in April, led by higher sales of machinery and equipment and food and beverage sales.

Chart 2: Wholesale activity recovering from recession low

Year-over-year change and value of wholesale trade



Source: Statistics Canada;

* Seasonally adjusted

Consumer Price Index

Inflation remains muted

Alberta's consumer inflation rate eased to its slowest pace thus far in 2017. The consumer price index (CPI) rose 1.2% y/y in May, down from an increase of 1.7% in April and from a 26-month high of 2.5% recorded in January. Inflation was largely dampened by sharply slower growth in energy prices, which decelerated from an increase of

19.6% in April to 9.3% in May (Chart 3). Excluding energy, inflation rose by only 0.7% as lower prices for food purchased from stores (-1.6% y/y), rent (-1.4% y/y), household furnishings and equipment (-1.3% y/y), and lower homeowner's replacement cost (-1.0% y/y) weighed on overall prices. Similarly, the Canadian inflation rate also eased in May, falling from 1.6% to 1.3%. Inflation decelerated in all provinces, most notably in Manitoba and Newfoundland and Labrador where inflation fell by more than 0.6 percentage points.

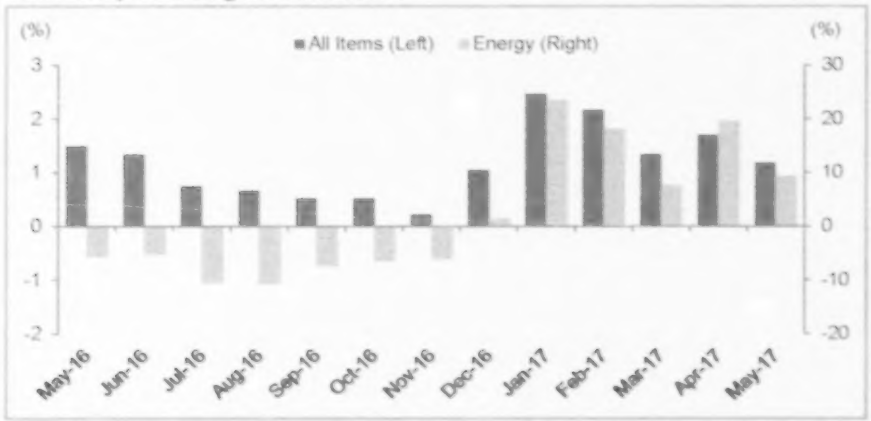
Employment Insurance

Number of EI beneficiaries continues to fall

With the labour market improving, the number of Albertans receiving regular Employment Insurance (EI) benefits continues to subside. EI beneficiaries have decreased for the sixth month in a row (-3.8% m/m) to over 79,200 in April, down from a high of over 107,400 recorded in July 2016 when the EI extension program was implemented. Monthly declines in the number of beneficiaries occurred throughout the province, including the census metropolitan areas of Edmonton and Calgary (Chart 4). Despite the improvement, the lingering effects of the EI extension program, along with more renewal claims, have kept the number of beneficiaries elevated in the province. Although the number of EI claims received increased in April, overall they have consistently fallen on a year-over-year basis over the last six months and remain well below the levels seen throughout 2016 due to receding initial claims.

Chart 3: Energy prices driving consumer inflation in 2017

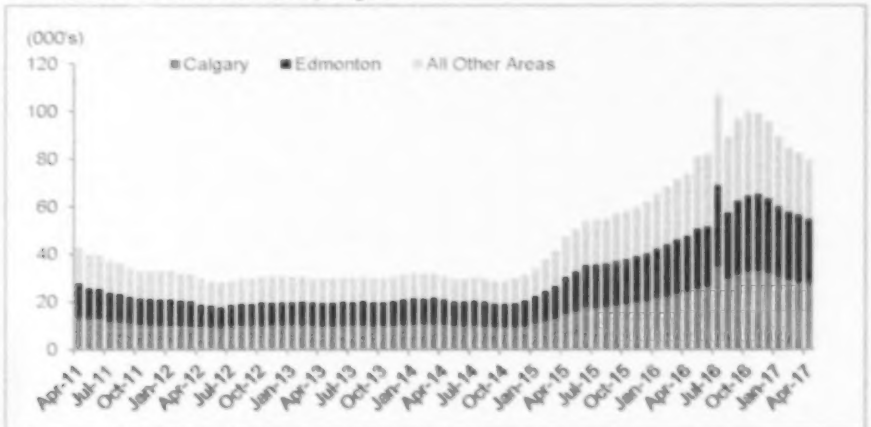
Year-over-year change in Alberta CPI



Source: Statistics Canada

Chart 4: EI beneficiaries coming down across the province

Number of EI beneficiaries by region



Source: Statistics Canada

International Travel

Strong growth in non-US visits

The number of international visits to Alberta continued to increase, albeit at a slower pace. The number of visitors entering Canada through Alberta totalled 82,451 in April, up 2.3% from last year. The increase was attributable to continued growth in non-US tourists (+9.4% y/y), which more than offset fewer US visitors (-1.0% y/y). At the same time, the number of returning Canadian tourists through Alberta was up 4.9% y/y, the strongest growth since November 2014. This reflected higher number of trips to both US (+3.5% y/y) and non-US destinations (+7.3% y/y).

Oil and Gas Capital Spending

Turnaround in investment

Capital expenditures in Canada's oil and gas extraction industry improved for the third quarter in a row. They rose 8.8% quarter-over-quarter to reach $10.6 billion in the first quarter of 2017. This was also the first year-over-year increase in spending in two years, up 5.1% from the first quarter of 2016. Despite the increase, oil and gas capital spending remains roughly half of the average levels seen in 2014.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.